

# Strategies: Designing, Creating, or Renovating, Your Business Model

Susan R. Cornelius

Principal and Founder, *Accelerate2Solutions*

[www.linkedin.com/in/susancornelius](http://www.linkedin.com/in/susancornelius)

## Did You Know?

- ▶ A whopping 99.9% of businesses in the US are small businesses.
- ▶ Nearly half the nation's workforce, 49.2%, are employed by small business = 120M people.
- ▶ In a given year, small businesses account for 60 - 65% of net new jobs. -- U.S. Chamber of Commerce.



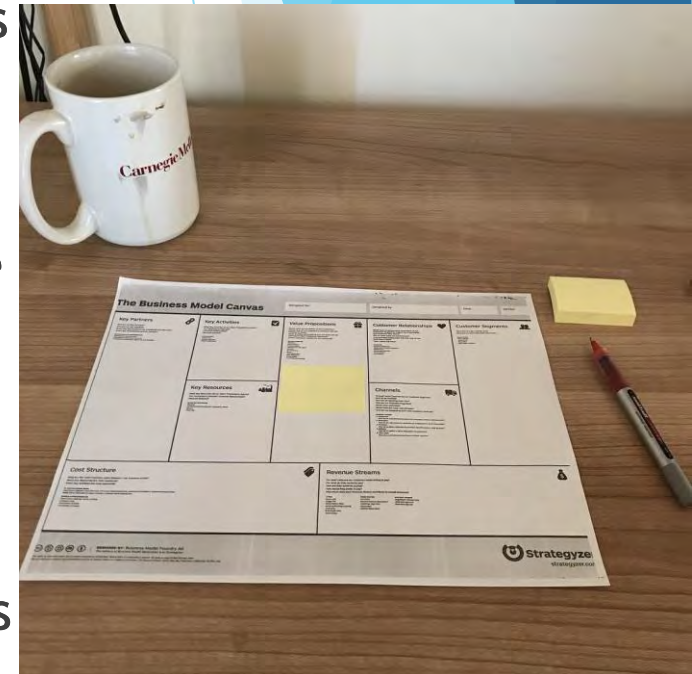
## Did You Know?

- ▶ Let's talk about Start-Ups, either tech or med tech start-ups or small businesses who intend to deliver a new, disruptive technology, services or food, clothing, counseling, candles, you name it, using technologies.
- ▶ First, let's understand that **66%** of these businesses will outsource services to other small businesses
- ▶ Individual venture firms receive more than **1000** proposals for funding per year. They are mostly interested in businesses that require an investment of at least **\$250K**.
- ▶ **The number one reason that start-ups fail is misreading the market.**

**[www.embroker.com/blog/startup-statistics](http://www.embroker.com/blog/startup-statistics)**

# It's a Myth

- ▶ Myth: Big Breakthrough requires big resources.
- ▶ Fact: Most Big Breakthrough companies - the 20% who succeed - started as very small start-up, i.e. Google, Facebook, YouTube. They started small and smart. They had the right idea and a healthy dose of courage.
- ▶ Myth: It takes a lot of experts to launch a company.
- ▶ Fact: Successful start-ups are mentor-driven, with mentors who are focused on your success - a family member, a community member, another business person or tech start-up Guru, a hired consultant/mentor.
- ▶ Fact: Designing, creating, renovating your business model involves your start-up team. Gather them together, brainstorm your business model canvas, and follow a strategy to design, create, and renovate.



## Assumptions:

**Your Goal:** Change the world, avoid studying it. Get going.

**My Goal:** Make the path to entrepreneurship clearer for you. The path is not easy.

# Strategies to Design, Create, Renovate Your Business Model

- ▶ Designing, Creating, or Renovating your business model isn't simply about completing your business plan or determining which products to pursue.
- ▶ ***It's about mapping out how you will create ongoing value for your customers.***

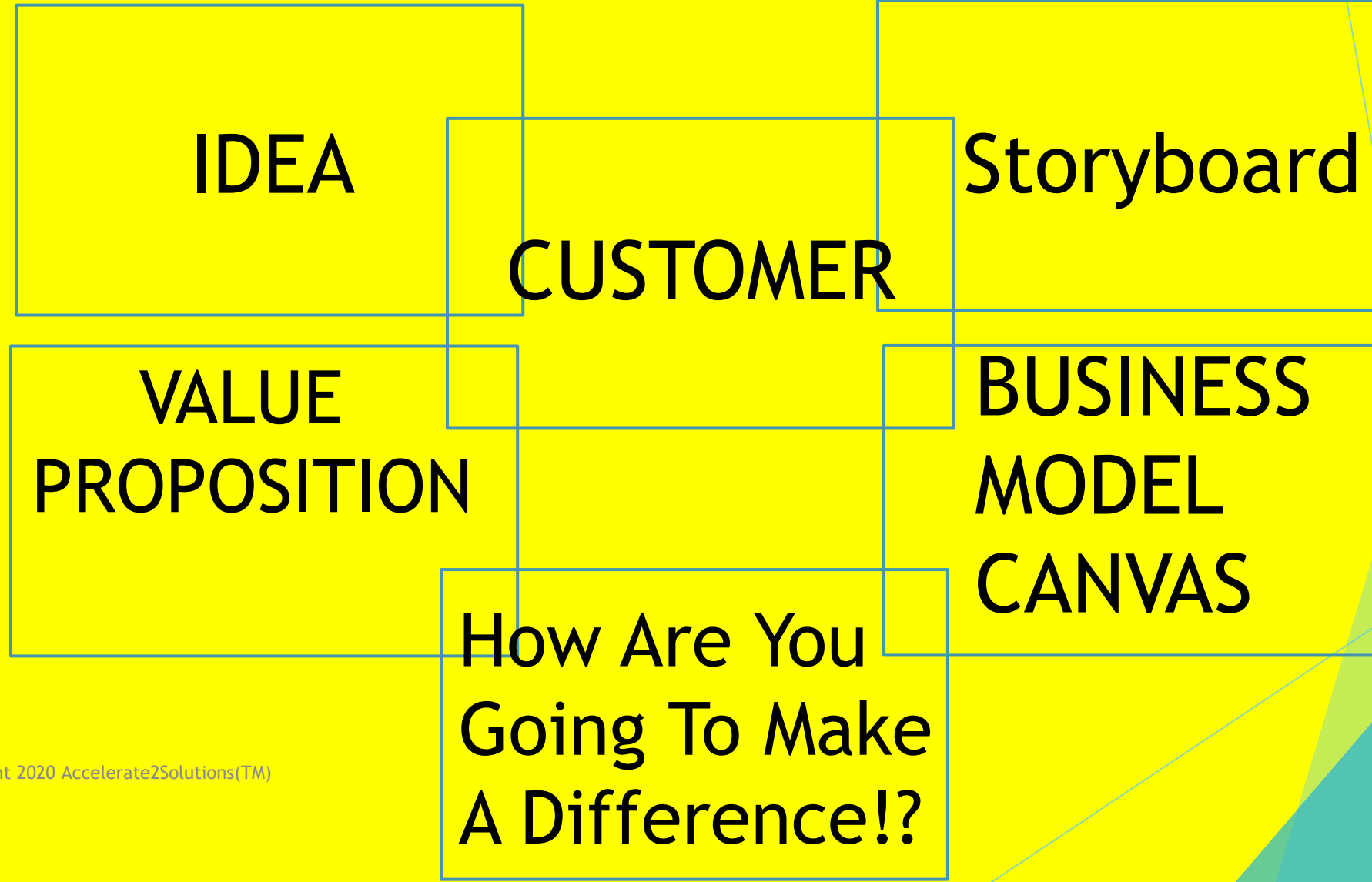


Paying attention to your customers is important since **14%** of startups fail due to not regarding customers' needs. --Fundera

The screenshot shows the stamps.com website header with the logo and a 'LEARN MORE' link. Below is the main heading 'POSTAGE ON DEMAND' with the tagline 'Print your own postage and shipping labels in seconds.' A three-step process is illustrated: 1. 'CLICK' (represented by a computer monitor icon) with the text 'Instantly buy and calculate exact postage.' 2. 'PRINT' (represented by a printer icon) with the text 'Print postage on labels, envelopes or plain paper.' 3. 'MAIL' (represented by a shipping box icon) with the text 'Affix postage and mail anywhere in the world.' A red 'GET STARTED' button is positioned at the bottom of the process flow.

- Founded 1996
- First round of fund raising is 1.5M
- Last known round \$30M.
- US Post Office investor.
- Buys up photo imaging stamp
- Companies, shipping start-ups.
- Announces divorcing USPS.**
- Stock drops 50% in value.

# DESIGNING A BUSINESS: Strategies





# What is a Business Model Canvas?

- ▶ A business model canvas is a simple tool that helps you innovate your business right away. It's in Four Parts: (Change Two!)
- ▶ The customer (WHO?)
- ▶ The Value Proposition (WHAT?)
- ▶ The Value Chain (HOW?)
- ▶ The Profit Mechanism (HOW and WHY?)

***What's your  
Business  
Model?***

# Long Term Success = Ability to Innovate Product and Business Model

- ▶ “Business As Usual” no longer exists. What are the ways that businesses have innovated over the last six months in order to keep their doors open?
- ▶ Seven months ago, do you think you would have been using online ordering, tents, ZOOM, in order to conduct your business?
- ▶ Who thought being an “Influencer” and using TicToc would have been a business model.
- ▶ Start-up and business leaders who innovate their business models are top performers, improve their business model twice as frequently as underperformers.

# This Company Is Paying for Unemployed Americans to Train as Health Care Workers

- ▶ Ankur Jain, Kairos, Investment Firm
- ▶ Out of work service workers working as Home Health Aides
- ▶ Do not get paid much more than service workers, but leads to jobs as Nurses and other technical healthcare positions.
- ▶ Launched 2020, pairing out-of-work individuals with the elderly.
- ▶ Goal --100,000 jobs.
- ▶ CareAcademy training and placement partners like Care.com.

**“The biggest problems present the biggest opportunities.”**



# Perpay: No.5 slot on 2019 INC Mag 5000.

- ▶ With **Perpay**, consumers can take their products home before they pay for them.
- ▶ A *survey* earlier this year found that 40 % of American adults can't afford an unexpected \$400 expense.
- ▶ **Perpay**, caters to people who don't have all the cash upfront to purchase what they need. **Perpay** buys goods wholesale--from fridges and TVs to car tires and strollers--then resells them at an upcharge, letting customers pay in installments deducted directly from their paychecks.
- ▶ The company has served more than 1 million customers since its 2014 founding and generated \$22.5 million in revenue last year.
- ▶ **<https://www.inc.com/kevin-j-ryan/innovative-business-models-2019-inc-5000.html>**

# Difficult to Think of Business Models Rather Than Technology and Products!










## The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 		Revenue Streams 		

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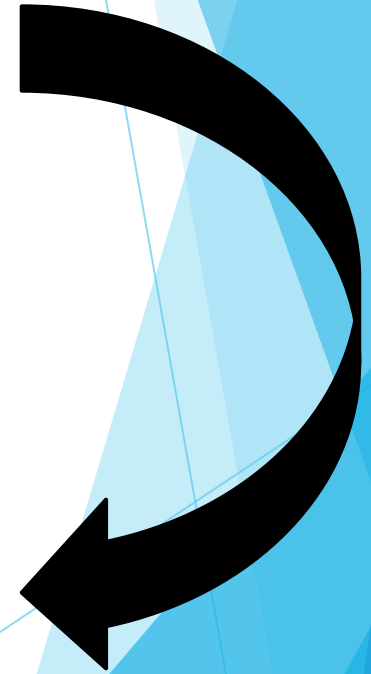
This work is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported License. To view a copy of this license, visit: <http://creativecommons.org/licenses/by-sa/3.0/> or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA.

# 1: Value Proposition



There can be  
More than one  
Value Prop!

- ❑ What are we building?
- ❑ For whom? Customer segments?
- ❑ What value do we deliver to the customer(s)?
- ❑ Which one of our customer's problems are we helping to solve? Has to solve a problem or need for the customer.
- ❑ What bundles of products and services are we offering to each Customer Segment?



Context / Problem	The First But	Product Intro
What is the problem, we think we are solving?	What does the customer think the problem is?	This is our product, this is how our product works...
Magic Solution	And Then	User Benefit
Our product does this to alleviate their problem...	Who interacts with our product?	What does success look like from the user perspective?

# PRODUCT STORY BOARD

Do it once and then do it again!

Thinking about the product from the standpoint of the user experience helps the customer understand and helps you and the product designers design a better experience.

## 2: Customer Relationships: Interviews **PROCEED!!!**

- ▶ To innovate successfully, you have to interview potential customers.
- ▶ It is the beginning of your success!
- ▶ Plan out the questions, write these down, ask for interviews, interview them. ZOOM, Microsoft Team, Google Team, etc.
- ▶ Keep on going! 100 interviews!
- ▶ Register for Bootcamp for April 15, 2020, at 10:00am.





### 3: Channels

**GET,**  
**Develop,**  
**KEEP,**  
**GROW!**

- ❑ Through which Channels do our Customer Segments want to be reached?
- ❑ How are we reaching them now? Web? Mobile? Physically?
- ❑ Which ones work best? How will we be selling or distributing?
- ❑ Which ones are most cost-effective?
- ❑ How are we integrating these with customer routines?
- ❑ <https://businessmodelnavigator.com/>

## 4: CUSTOMER SEGMENTS

- ❑ ***Your product exists for the customer!***
- ❑ For whom are we creating value? Hypothesis as to who they are.
- ❑ Who are our most important customers? What do they need?
- ❑ How do you know? Say it again, HOW DO YOU KNOW!?!?



**STOP!!!**

# 5: Customer Relationships

**GET, KEEP, GROW!**

- ❑ What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
- ❑ Which ones have we established?
- ❑ How are they integrated with the rest of our business model?
- ❑ How costly are they?

# How Do We Reach Customers?

1. ★ **Facebook** – 2.23 billion MAU's (Monthly Active Users)
2. ★ **YouTube** – 1.9 billion MAUs MAU's
3. ★ **WhatsApp** – 1.5 billion MAU's
4. **Messenger** – 1.3 billion MAU's
5. **WeChat** – 1.06 billion MAUs (Chinese Market)
6. ★ **Instagram** – 1 billion MAU'S
7. **Tumblr** – 642 million MAU's
8. **Tik Tok** – 500 million MAU's
9. **PAYPAL**—

<https://buffer.com/library/social-media-sites/>



Find  
out  
how  
to use  
these  
aps.

# How Do We Reach Customers?: Recommendations to Boost Your Presence

## ▶ Set up accounts for Facebook, Instagram, Twitter, YouTube, and PayPal.

▶ **Why PayPal?** So you can get paid. There are other payment systems out there for businesses.

▶ PayPal now has: almost 300 million customers, over 20 million active merchant accounts, and billions of transactions conducted every year.

- 83,199 websites use PayPal in this country.
- Being fair, there are competitors: Apple Pay, Skrill, Payza, Google Wallet, Stripe, Wepay, 2Checkout, Authorize.net, & Intuit.

<https://spendmenot.com/blog/paypal-statistics/>

***Stickiness: Buyers are more apt to buy if they can use PayPal.***

# How Do We Reach Customers?: Websites

First: Select and Register Domain Names: [www.godaddy.com](http://www.godaddy.com)

Or, even the website builder you select can help you achieve that.

Weebly, Wix, and WordPress.com offer free options.



SQUARESPACE

<https://www.pcmag.com/picks/the-best-website-builders>

## 5: Revenue Streams

- ❑ For what, are our customers, really willing to pay?
- ❑ How do you make money from each segment?
- ❑ For what do they currently pay?
- ❑ How are they currently paying?
- ❑ How would they prefer to pay?
- ❑ How much does each Revenue Stream contribute to overall revenues?
- ❑ <https://businessmodelnavigator.com/>

***License  
Freemium  
Pricing  
Fees  
Subscription***

**Google Auctions  
charge customer  
a fee for search  
terms!**

# Business Model Patterns **DEMAND Strategy**

- ▶ **Integrator:** Ford, Netflix, Standard Oil, Zara
- ▶ **Auction:** Ebay, Google, Goodwill, Lufthansa, Amazon Web Services
- ▶ **Leverage Customer Data:** Google, Facebook, Apple iTunes, Spotify, Salesforce
- ▶ **Revenue Sharing:** Amazon, iTunes, Groupon, Johnson and Johnson
- ▶ **Add-On:** Your restaurant or Brewery gift shop, Printing Services, Photography, Linked-In, Google, Xerox

<https://businessmodelnavigator.com/explore>



## 6: Key Resources

- ❑ Money: Self Finance, Investment Bank, Angels, Venture Partners.
- ❑ Who are our Key Partners?
- ❑ Who are our Key Suppliers?
- ❑ Which Key Resources are we acquiring from partners?
- ❑ Which Key Activities do partners perform?

**Intellectual Property**  
**Patents**  
**Customer Lists**  
**Great People**  
**Marketing**  
**Sales**  
**Managing Services**

# 7: Key Activities To Launch? Phase One, Phase Two, Phase Three

## COMMERCIAL

- ❑ By \_\_\_\_\_ Identify platforms or social networks we need?.What do we need to get our first Investors? Partners? Channels?
- ❑ BY \_\_\_\_\_ Identify how and who is working on increasing, and keeping customers while we are innovating. Hint: Social Media and Customer Interviews!

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## TECHNICAL

- ❑ By \_\_\_\_\_ Create a Problem Solving/Product Development Team. How are we going to define Version 1.0 and stick to it?
- ❑ By \_\_\_\_\_ Identify what we need to do to get to our first prototype?
- ❑ By \_\_\_\_\_ Decide how we are doing Fabrication or Manufacturing? Are we doing it? Someone else? Identify Suppliers?

**These are parallel timelines!**

# 8: Key Partners

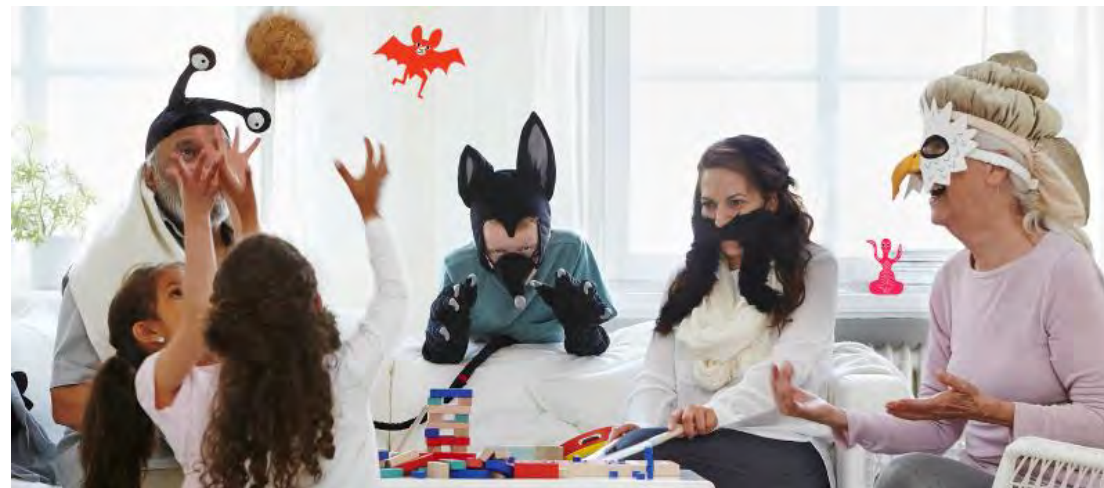
- ❑ Who are our Key Partners?
- ❑ Who are our Key Suppliers?
- ❑ **What are we acquiring from partners and suppliers to make the business model work?**
- ❑ Which Key Activities do partners perform?
  
- ▶ **What are the Motivators for Partners:**
  - ❑ Optimization and economy
  - ❑ Reduction of risk and uncertainty
  - ❑ Acquisition of particular resources/revenues and activities

# 9: Key Partners: These are companies, large or small with whom you can co-brand!



Balmain /H&M

IKEA and  
DREAMWORKS  
create LATTJO!



## 10: Cost Structure: Costs of Product and Business

- What are the most important costs inherent in our business model?
- Which Key Resources are the most/least expensive?
- Which Key Activities are the most/least expensive?

**How are we going to make money?**

**Write out everything!**  
**People**  
**Materials**  
**Buildings**  
**Distribution & Sales**

# 11: Cost Structure

## Types

- ❑ Fixed Costs (salaries, rents, utilities)
- ❑ Variable Costs
- ❑ Economies of Scale: Because of these (speed to market of MVP, price, distribution, partners; you will get to market and either save money, provide better quality, or are able to demand a lower price in the market).

## Revenue Streams:

- ❑ For what are our customers really willing to pay?
- ❑ Currently paying?
- ❑ How currently paying?
- ❑ How would they prefer to pay?
- ❑ How much does each Revenue Stream contribute to overall revenues?  
(Maybe you have 2 revenue streams, one to manufacturer and one to your company. B2B and B2C.)

**Write out everything!**  
**People**  
**Materials**  
**Buildings and Sales**  
**Distribution**

# The Business Model Canvas is a Tool!

- ▶ We have taught you a new model and a new language.
- ▶ The Business Model Canvas is a practical tool.
- ▶ It helps craft a new business model or analyze and revitalize an old one.
- ▶ Draft One is based on Assumptions!

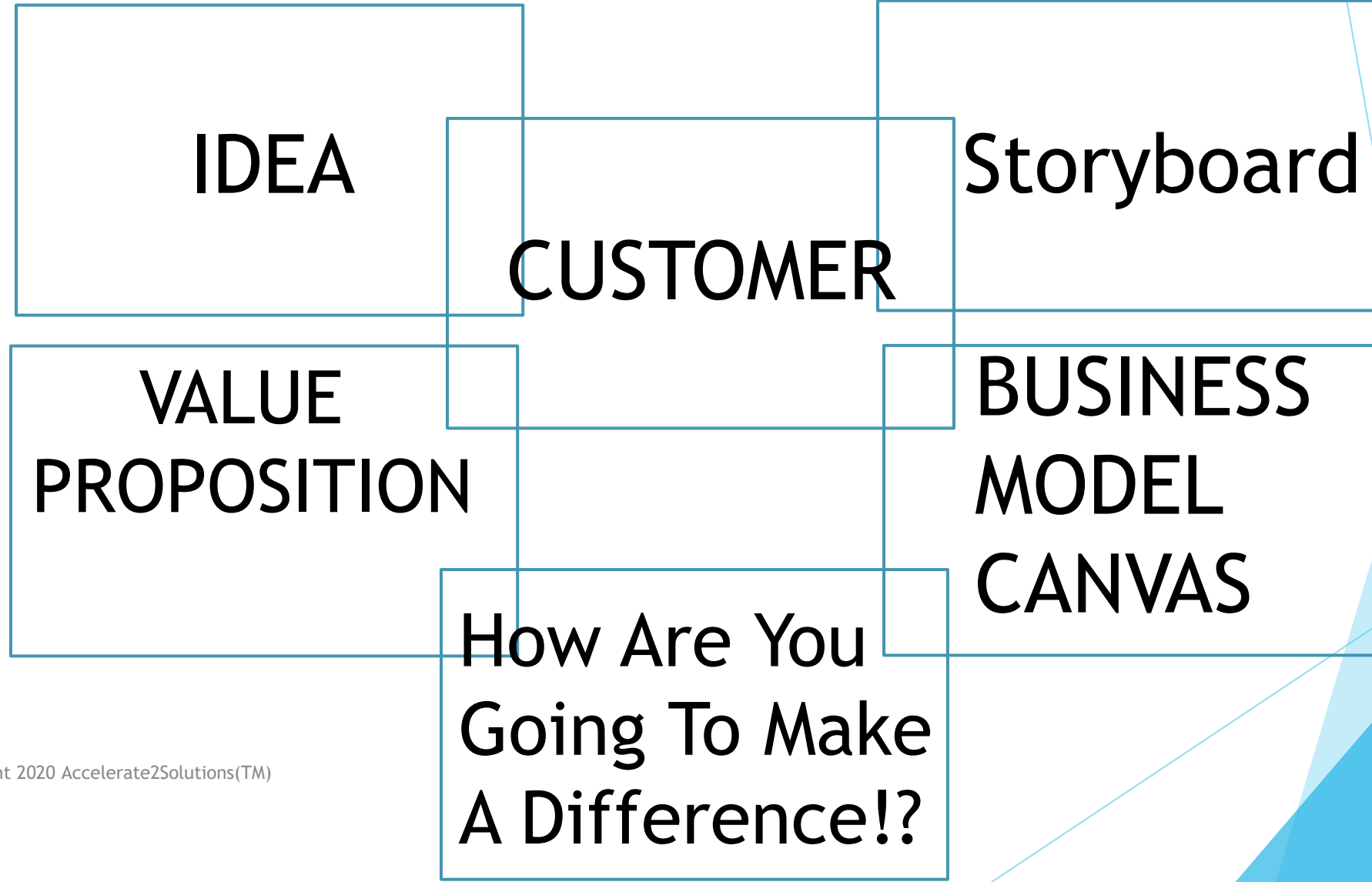
**Write out everything!**  
**People**  
**Materials**  
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## Next Steps

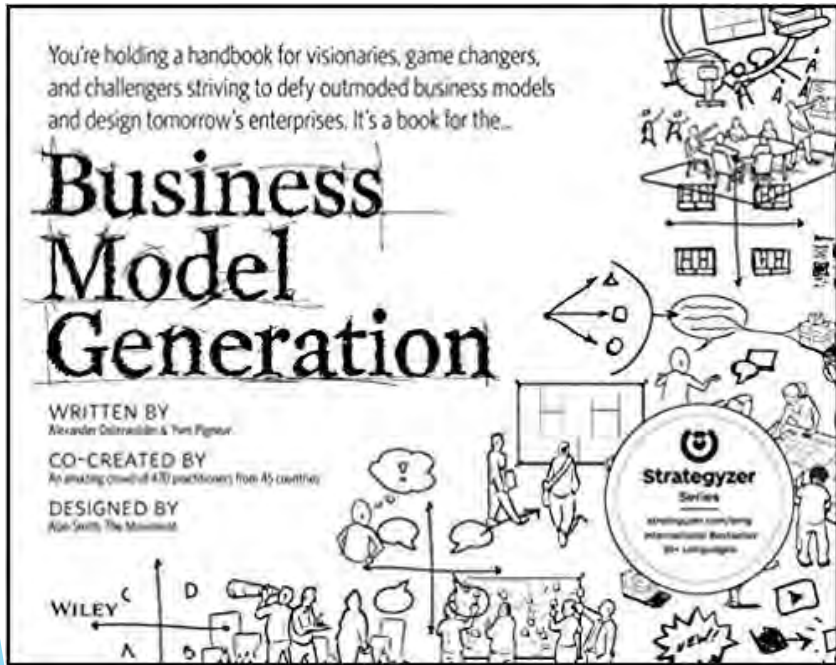
- ❑ Take the time to complete the Business Model Canvas for your idea.
- ❑ Use “stickies” on your computer or manually record your ideas.
- ❑ Collaborate and brainstorm with friends and/or family or business associates.
- ❑ Record all ideas. Avoid editing.
- ❑ **Then do Customer Discovery. Look for the BOOTCAMP September 16<sup>th</sup> at 10:00am!**



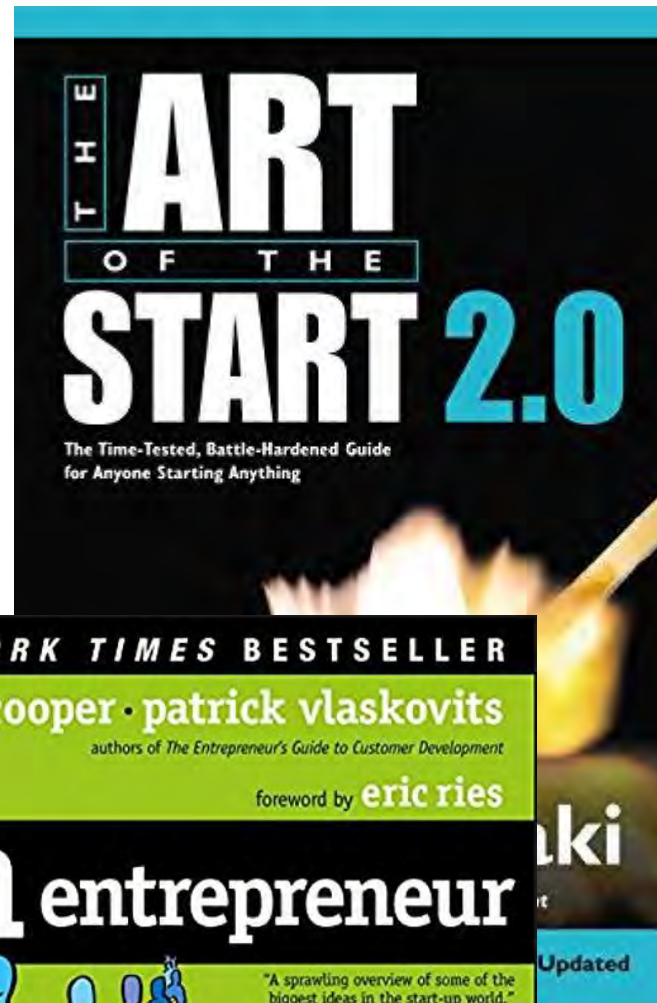
# DESIGNING A BUSINESS:



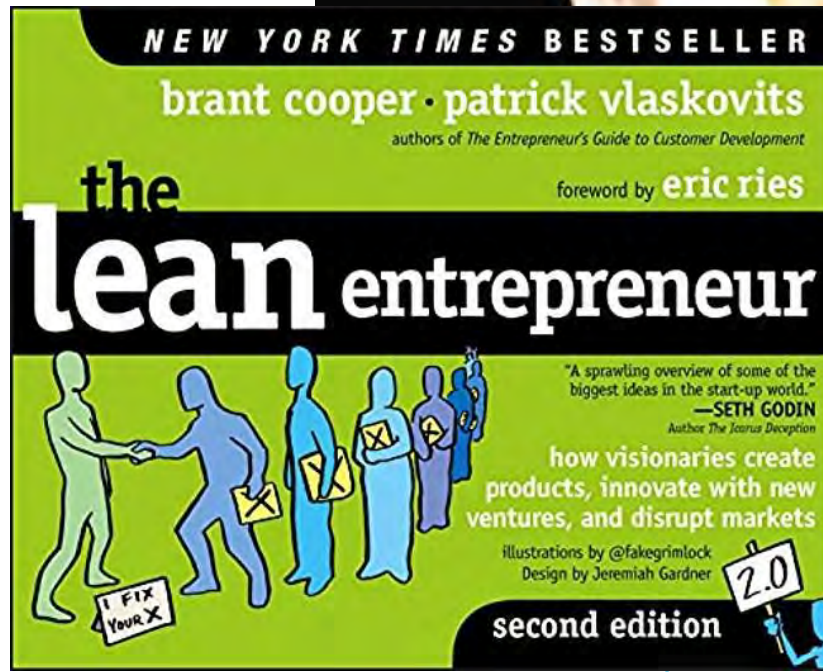
# RESOURCES available on Amazon.com



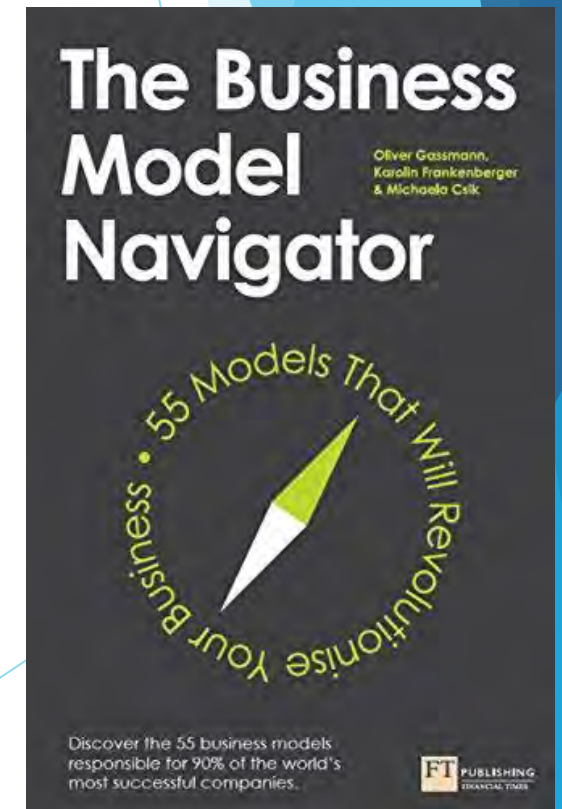
Alexander Osterwalder, *Strategizer*



Guy Kawasaki



Oliver, Gassman, Frankenberger



# Resources Available from the UNM University Program

<https://innovations.unm.edu/events/>

- ▶ Workshop: **Carrying Out Customer Discovery in a Virtual World**, October 14, 11am to 12pm, Susan Cornelius
- ▶ Bootcamps: September 16 and October 21, 25-minute sessions 10:00am to 10:25am for both, Susan Cornelius
- ▶ Mentoring Sessions: September 16 and October 21, 25-minute openings from 10:30am to 4:00pm, Susan Cornelius
- ▶ **Create. Sell. Bank.** With Bill Szaroletta, PhD.  
<https://createsellbank.com/community/>
- ▶ Virtual Rainforest Office Hours for both students and the Community. Stacy Sacco and others.